

BILL # HB 2274

SPONSOR: Crump

PREPARED BY: Marge Zylla

TITLE: paycheck deductions; political purposes; limitation

STATUS: As Introduced

FISCAL ANALYSIS

Description

HB 2274 would prohibit an employer from making a deduction from an employee's paycheck for political purposes without annual written authorization. A civil penalty of at least \$10,000 would be imposed for each violation and the Attorney General (AG) would impose and collect these fees. Monies collected for violations are to be deposited to the General Fund.

Estimated Impact

The bill could generate both additional revenue and additional costs, but the fiscal impact of the bill cannot be determined in advance. The magnitude of the fiscal impact will depend on the level of violations, which cannot be determined in advance.

The Arizona Department of Administration (ADOA) estimates that administrative expenses associated with the bill would cost the department approximately \$6,000 annually. JLBC concurs that the \$6,000 cost may be reasonable.

The AG estimates that their office would incur an annual cost of at least \$375,100 plus a one-time cost of \$51,200. Their analysis is based on an assumption of addressing at least 100 cases each year. The agency did not provide justification for this level of cases.

Analysis

The bill states that ADOA would be given the responsibility of confirming that unauthorized money is not taken out of state employees' paychecks for political purposes. For each employee, ADOA would need to ensure that the employee had annual written confirmation to deduct money from the employees' paychecks for political purposes and obtain a statement from each entity receiving money stating how much money, at most, would be allocated for political purposes. ADOA estimates that this would require 150 to 200 hours of staff time to complete each year and would cost the department approximately \$6,000. JLBC concurs that this amount may be reasonable.

The AG is tasked with imposing and collecting civil penalties for violations of this law. It is uncertain how many investigations would result from HB 2274, but the AG estimates it will have at least 100 cases annually and would need to hire at least 4 new full-time equivalent positions. Based on the 100 cases, the agency estimates that the annual costs would be \$375,100, with 1-time equipment costs of \$51,200. The cost of \$375,100 may be reasonable if there are 100 cases annually, however, the Attorney General's office did not provide justification for the estimated level of cases.

In addition to the previously mentioned costs, the fines paid for violations would go to the General Fund and, therefore, be a new source of revenue for the General Fund. A fine of at least \$10,000 would be assessed each time an employer improperly deducts payments from an employee's paycheck for political purposes or an entity provides false information to an employer regarding the percentage of monies that are used for political purposes. It is uncertain how much revenue would be generated.

Local Government Impact

This bill would result in additional administrative costs for local governments. Local governments would need to ensure that they had annual written confirmation to deduct money from their employees' paychecks for political purposes and obtain a statement from each entity stating how much money would be allocated for political purposes. It is uncertain how much these additional requirements would cost.